



Sharing Our Position Statement on Carbon Credits Integrity

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Scrutiny over the integrity of carbon credit markets, in both government-regulated and voluntary markets, has heightened recently as the demand for carbon credits has risen with increasing corporate net zero emissions commitments. Stakeholders are both concerned about supply-side integrity, i.e. that carbon credits deliver the emissions reduction they claim to represent, and demand-side integrity, i.e. that the purchaser of the carbon credit is using it as part of a credible strategy in line with achieving the goals of achieving the Paris Agreement. In regulated carbon markets, governments will need to address these concerns through consultation with stakeholders and via the legislative process. Organisations such as the Science Based Targets initiative (SBTi), Voluntary Carbon Markets Initiative (VCMI), and Integrity Council for Voluntary Carbon Markets (IC-VCM) are leading the discussion on these issues as it relates to voluntary carbon markets and net zero voluntary commitments.

New Forests currently operates in government-regulated carbon credit markets and manages projects governed by the California Air Resources Board, the Australian Clean Energy Regulator, and the New Zealand EPA. We expect to be increasingly involved in the voluntary carbon market, particularly in our emerging markets strategies in Asia and Africa. Our investment clients are increasingly asking us about our views on these complex carbon credits integrity issues. In the context of this rapidly evolving regulatory, disclosure and stakeholder environment, New Forests believes it is important that we convey our position on supply-side and demand-side integrity to our clients and other stakeholders.

For many years, New Forests has integrated policies on supply-side integrity of carbon markets into our Social and Environmental Management System (SEMS), which governs the implementation of our company's Responsible Investment Policy. We apply a continuous improvement approach to our SEMS, updating it in alignment with best practice and market and stakeholder expectations. We know that we can deliver climate-positive and nature-positive landscapes through our best-in-class capabilities around forestry and land management; focus on delivering impact for nature and communities; and careful implementation of good governance and risk management systems. The specific policy on supply-side integrity, shared in the position statement, is backed by our robust policies, procedures and governance around responsible and impactful management of our investments in commercial and conservation forests, rural land, carbon, timber processing and infrastructure, and other investments.

New Forests believes demand-side integrity is critical to ensuring that carbon credits are used in a way that supports genuine emissions reductions in line with achieving net zero emissions across the global economy by 2050. We are advocating for a clear, globally accepted, and practical guidance for companies on the usage of carbon credits as part of their voluntary

emission reduction commitments. While it is challenging for a single asset manager like us to monitor and enforce behaviour around demand-side integrity, particularly at a time of great flux and uncertainty in policies, frameworks and standards, it is critical for building trust in the market. In the position statement, you will see that New Forests has developed a framework to assist us in navigating demand-side integrity with buyers of carbon credits from projects managed by New Forests and to facilitate an assessment of the credibility of a buyer's climate action plan and to engage with them on these plans. We will update our approach as external guidance on demand-side integrity becomes clearer and a global industry standard is adopted.

We welcome feedback and engagement on our position statement. We also hope that sharing our position statement will help other investors think about their own position on integrity in carbon markets. Please get in touch with us to share your views—working together we hope to make carbon finance a successful instrument in scaling investment in Natural Climate Solutions.

Please read New Forests' Position Statement on Carbon Credits Integrity, [found here](#)

